

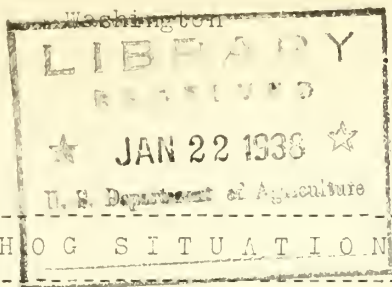
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

HS-15



January 19, 1938

Summary

Some advance in hog prices in the next few months is expected by the Bureau of Agricultural Economics in view of the probable seasonal reduction in slaughter supplies of hogs in the late winter and early spring and the present small storage holdings of pork and lard. The supply of hogs for slaughter next summer probably will be materially larger than the small supply of last summer, and the average price of hogs in the summer months is likely to be lower than the high level of prices last summer.

The 1937 fall pig crop was estimated to be only slightly smaller than that of 1936, but the combined spring and fall pig crop of 1937 was more than 3 million head smaller than that of the previous year. Because of the effects of short feed supplies upon the distribution of hog marketings, slaughter in the marketing year 1936-37 was rather small in relation to the 1936 pig crop. With feed production in 1937 much larger than in 1936, it is probable that the number of hogs slaughtered under Federal inspection in the current marketing year (October 1937 through September 1938) will be nearly as large as in 1936-37. Average weights of hogs marketed in 1937-38 will be much heavier than in the preceding season.

The December 1937 Pig Crop Report indicated that the number of sows to farrow in the spring of 1938 would be about 5 percent larger than the number that farrowed in the spring of 1937. This indicated increase is considerably smaller than had been expected in view of the present low level of hog production, the large feed supplies, and the high hog-corn price ratio in recent months.

After declining sharply from mid-August through November, hog prices weakened further in December. Most of the decline in recent weeks, however, has been in prices of heavy weight hogs. The price of hogs weighing around 300 pounds is now about \$1 lower than the price of hogs weighing about 200 pounds. Ordinarily at this season of the year there is little difference between prices of light and heavy hogs.

The marked decline in prices of hogs since mid-August reflects (1) the much larger-than-usual seasonal increase in slaughter supplies of hogs in the fall and early winter; (2) the weakening in the demand for meats and lard since last summer; and (3) the weakness in storage demand for hog products, which in turn reflects the prospects for larger supplies of hogs in the late spring and summer of this year than a year earlier and a continued weakness in consumer demand for meats during the next few months.

REVIEW OF RECENT DEVELOPMENTS

Further weakness in hog prices in December

Hog prices continued to weaken during December, following the marked decline from August through November. The drop in prices during the month, however, was mostly in the price of heavy hogs. Hogs weighing over 250 pounds are now selling at substantially lower prices than hogs weighing from 180 to 220 pounds. Usually at this time of year the prices of heavy weight hogs are as high as, or higher than prices of medium and light weight hogs (see figure 1 at the end of this report). The marked discount in prices of heavy hogs in recent weeks reflects the relatively large proportion of such hogs in the slaughter supply and to some extent the current low prices for lard. Also, since the proportion of products from heavy hogs ordinarily placed in storage during the winter is larger than the proportion from light weight hogs, the weak storage demand for hog products thus far in the current season may have affected prices of heavy hogs to a greater extent than it has affected prices of light hogs.

Hog slaughter increases in December

The average price of hogs for December at Chicago was \$7.90 per 100 pounds, compared with \$8.64 in November and \$9.96 for December last year. The lower average price in December than a year earlier was chiefly the result of the weaker consumer and storage demand for hog products. Inspected hog slaughter in December, totaling 3,958,000 head, was about 15 percent smaller than that of December 1936. The seasonal increase in hog slaughter from August through December 1937, however, was much greater than average. The percentage increase was the largest on record for this period. Inspected slaughter in December was about two and one-half times larger than that of August, whereas it is usually less than twice as large. The large seasonal increase in hog slaughter since last summer has been an important factor in the sharp decline in hog prices in recent months.

Weaker demand for hog products

The drop in hog prices from the high level of about \$13 last summer also was caused partly by the falling-off in consumer demand for meats, the much weaker storage demand for hog products in recent months than a year earlier, and the increase in supplies of cottonseed oil from the record cotton crop of 1937.

The weaker storage demand for hog products in the fall of 1937 reflects the prospects for larger slaughter supplies of hogs in the late spring and summer of 1938 than a year earlier and for continued weakness in consumer demand for meats. In the fall of 1936 the storage demand for hog products was unusually strong since incomes of consumers were then increasing, and relatively small marketings of hogs in the summer of 1937 were expected.

Storage holdings of pork and lard, specified periods

Date	Pork			Lard		
	:Average:			:Average:		
	:1930-34:	1936-37:	1937-38:	:1930-34:	1936-37	: 1937-38
	:Million	Million	Million	Million	Million	Million
	:pounds	pounds	pounds	pounds	pounds	pounds
Nov. 1	434	355	266	70	95	39
Dec. 1	463	463	307	63	109	34
Jan. 1	565	667	1/398	72	146	1/53
1/ Preliminary.						

Increase in storage stocks smaller than average in November and December

January 1 stocks of pork totaled only about 398 million pounds, the second smallest for that date on record. Stocks of lard on January 1 also were much below average. Usually stocks of pork increase materially from November through February and March, since slaughter supplies of hogs in those months are larger than in other seasons of the year. Thus pork is stored in the winter to be moved into consumption the following summer.

From November 1, 1937, to January 1, 1938 pork stocks increased only about 50 percent, whereas in the same period last year the increase was nearly 90 percent. The large increase in slaughter supplies of hogs since August, therefore, has been accompanied by a considerable increase in the volume of hog products moved into domestic consumption. The apparent consumption of federally inspected pork, including lard, in December was about 30 percent larger than in August, whereas consumption in December is usually only about 4 percent larger than in August. Although inspected hog slaughter in December was 15 percent smaller than that of a year earlier, the apparent consumption of federally inspected hog products for the month was slightly larger than in December 1936 chiefly because of the much smaller storage accumulations in late 1937 than a year earlier.

Production and consumption of federally inspected pork,
including lard, by months, August - December average
1929-33, annual 1936 and 1937

Month	Production			Consumption		
	Average:			Average:		
	1929-33:	1936	1937	1929-33:	1936	1937
	Million	Million	Million	Million	Million	Million
	pounds	pounds	pounds	pounds	pounds	pounds
Aug.	542	403	275	587	422	408
Sept.	528	396	341	607	456	465
Oct.	593	547	452	666	549	484
Nov.	696	669	549	627	534	1/ 494
Dec.	818	751	1/667	610	502	1/ 530

1/ Preliminary.

Pork and lard prices reduced in December

Wholesale prices of fresh pork declined during December and prices of cured pork and lard also weakened slightly. Prices of most cuts of cured and fresh pork in December 1937 were from \$1 to \$3 per 100 pounds lower than the corresponding month of 1936. The average price of refined lard at Chicago in December was nearly \$4 lower than a year earlier and was the lowest for any month since August 1934. The lower prices for pork and lard reflect the larger movement of hog products into consumption and the weaker consumer demand than in December 1936. Prices of lard in recent months also have been affected by the much larger supplies of cottonseed oil available in 1937-38 than in 1936-37.

Supply of cottonseed and cottonseed oil in the United States,
1934-37

Year beginning Aug. 1	Cottonseed oil ^{1/}			
	Cottonseed production	Crude oil production	Stocks Aug. 1 ^{2/}	Supply of crude oil ^{3/}
	1,000 tons	Million pounds	Million pounds	Million pounds
1934.....	4,282	1,109	741	1,849
1935.....	4,729	1,163	507	1,670
1936.....	5,511	1,364	362	1,726
1937.....	^{4/} (8,320)		485	

^{1/} Bureau of the Census.

^{2/} Refined and crude oil, in terms of crude.

^{3/} Production and stocks on August 1. Computed from unrounded figures.

^{4/} Computed on basis of 888 pounds of seed per bale of cotton,
from a cotton crop estimated December 8, 1937 at 18,746 million bales.

Corn prices rise; hog-corn price ratio reduced in December

Corn prices rose steadily during December, the price of No. 3 Yellow corn at Chicago for the month averaging about 56 cents per bushel compared with 53 cents in November. Since the rise in corn prices was accompanied by a further decline in the price of hogs, the hog-corn price ratio in December was lower than in the preceding month. Based on average prices for corn and hogs at Chicago, the ratio in December was 14.1 compared with 16.2 in November and 9.3 in December 1936. The long-time average hog-corn price ratio based on Chicago prices is about 11.4. The more favorable ratio between hog prices and corn prices than in 1936 accounts chiefly for the heavier average weights of hogs in November and December than a year earlier.

Because of the wide spread now prevailing between prices of light and heavy hogs, the ratio of hog prices to corn prices based on average prices of corn and of all weights of hogs has been less significant in recent weeks than it usually is. In the last week of December the ratio between the price of 200 to 220-pound hogs and the price of corn at Chicago was 14.0, while the ratio between the price of 290 to 350-pound hogs and the price of corn was 12.5.

Hog-corn price ratio, November and December 1936 and 1937,
and week ended January 1, 1938

Year and month	: Ratio based on prices at Chicago of No.3 Yellow corn and			
	: Medium weight		: Heavy weight hogs	
	: hogs,		: 250 to : 290 to	
	: 220 to 220 pounds		: 290 pounds: 350 pounds	
1936 -	:	:	:	:
Nov.:	9.1		9.2	9.1
Dec.:	9.4		9.5	9.5
1937 -	:	:	:	:
Nov.:	16.5		16.3	16.0
Dec.:	14.7		14.0	13.6
1938 -	:	:	:	:
Week ended -	:	:	:	:
Jan. 1	14.0		13.0	12.5
	:		:	:

Lard and pork exports increase in November; pork imports reduced

Exports of lard in November totaling about 18 million pounds, were about the same as in October, but they were more than double those of November 1936. As compared with a year earlier most of the increase occurred in the shipments to Great Britain and Cuba. Exports of pork in November, totaling nearly 8 million pounds, were 3 million pounds larger than in October and 1 million pounds larger than in November 1936. Imports of pork in November were considerably smaller than in October, although they continued larger than a year earlier. For the first time in several months, pork imports were smaller than pork exports.

OUTLOOK

The outlook for supplies of hogs for the 1937-38 marketing year, which began October 1, has not changed greatly since issuance of the annual Hog Outlook Report in early November. There are, however, some indications that inspected slaughter in 1937-38 will be greater than the estimate of 32 to 33 million head, given in the Outlook Report. Prospective consumer demand for hog products, however, now appears less favorable than in early November. A marked decline in industrial activity and employment has already occurred, and it is expected that incomes of consumers in 1938 will be lower than in 1937.

It now seems probable that the total live weight of inspected hog slaughter in 1937-38 will be as large as, or larger than that of 1936-37. Heavier average weights of hogs in the current marketing year will offset, or more than offset, any decrease in the number marketed. Hence, with a weaker consumer demand for hog products in prospect, the average price of hogs for the current marketing year is expected to be lower than the average of about \$10.15 for 1936-37. In both November and December hog prices averaged lower than a year earlier, largely due to the prospects for fairly large supplies of hogs next summer and continued weakness in consumer demand, as well as to current conditions of supply and demand.

Fall pig crop in 1937 slightly less than in 1936

According to the December 1 Pig Crop Report, the 1937 fall pig crop was estimated to be about 1 percent smaller than that of 1936. Although the fall pig crop last year was larger than that of either 1934 or 1935, it was 17 percent less than the 1929-33 average. The combined spring and fall pig crop of 1937, estimated at slightly more than 62 million head, was about 5 percent smaller than that of 1936 and 22 percent smaller than the 1929-33 average. Practically all the decrease of more than 3 million head in the total pig crop occurred in the West North Central States.

Pig crop and inspected hog slaughter, average 1929-33,
annual 1934-37

Year	Pig crop		Inspected hog
	United	North	slaughter, year
	States	Central	beginning
		States	Oct. <u>1/</u>
	Thousands	Thousands	Thousands
Average			
1929-33	80,032	61,187	45,354
1934.....	56,766	40,470	30,680
1935.....	55,013	38,015	31,022
1936.....	65,339	44,936	34,142
1937.....	62,227	41,875	

1/ Bureau of Animal Industry.

The number of hogs slaughtered under Federal inspection in the 1937-38 marketing year probably will not show a reduction as large as the estimated decrease in the 1937 pig crop, and it is possible that the number slaughtered in 1937-38 will be as large as in 1936-37. This situation arises partly because of the effects of the 1936 drought on the distribution of marketings of 1936 pigs as between the 1935-36 and 1936-37 marketing years. Slaughter in 1935-36 was large in relation to the 1935 pig crop because of the liquidation of hogs and pigs from drought areas during the last 3 months (July - September) of the marketing year. Also partly because of heavy marketings in these 3 months, of hogs and pigs which normally would have gone to market in the early part of the 1936-37 year, slaughter in 1936-37 was small in relation to the 1936 pig crop. Slaughter in 1936-37 also was reduced because of the small marketings of 1937 pigs in that year and because of the carry-over of other hogs into 1937-38 that normally would have been marketed earlier.

Inspected hog slaughter in the first 3 months of the present marketing year (October - December) totaled nearly 10 million head, which was about 2.4 million head smaller than in the corresponding months of 1936-37. Although the bulk of the October - December marketings were 1937 spring pigs, reports as to average weights indicate that the number of old crop hogs included was unusually large. The high hog-corn price ratio in recent months probably has caused producers to delay marketings of spring pigs for feeding to heavier weights. This is indicated by the fact that the number of hogs over 6 months of age in the Corn Belt on December 1, 1937, was estimated to be slightly larger than a year earlier, even though the 1937 spring pig crop in that area was 10 percent smaller.

In view of this tendency to delay marketings before the end of 1937, it seems probable that market supplies of spring pigs from January through April 1938 will be at least as large as those of a year earlier. Slaughter supplies in the late winter and early spring last year, however, included a relatively large number of 1936 fall pigs which were marketed early to avoid high feed costs. The number of fall pigs marketed in the next 3 or 4 months is expected to be relatively small, since lower prices of corn and other feeds in comparison with the price of hogs, will encourage producers to hold fall pigs until after April. Consequently, slaughter during the January - April period in 1938 may be no larger than that of a year earlier.

Seasonal advance in hog prices probable in late winter or early spring

If inspected slaughter from January through April is no larger than in those months of 1937, a seasonal decrease in slaughter supplies of hogs after January may be expected. With storage stocks now relatively small, the total supply of hog products for the late winter and spring probably will be less than that of the same period last year. Thus, unless consumer demand for meats becomes more unfavorable than is now expected, some seasonal advance in hog prices is likely to occur within the next few months.

Larger supplies of hogs expected next summer

Although the 1937 fall pig crop was slightly smaller than that of 1936, the proportion of fall pigs marketed in the summer of 1938 will be much larger than in the summer of 1937. A large number of pigs from the 1936 fall crop were marketed in the late winter and spring of 1937, and a fairly large number were marketed in the fall of 1937, after being finished on the new crops of small grains and corn. With feed supplies much larger and feed prices considerably lower this year than last, it is expected that the bulk of 1937 fall pigs will be marketed during the late spring and summer of 1938 after a normal feeding period. Thus, it seems probable that inspected hog slaughter in the period from May through September this year will materially exceed that of last summer. With larger supplies expected and with prospects for somewhat less favorable consumer demand, hog prices during the coming summer probably will average lower than the relatively high level of prices in the summer of 1937.

Average weights of hogs to be heavier than in 1936-37

Chiefly because of the large supplies of corn and other feeds in relation to the number of livestock on hand, the ratio between hog prices and corn prices has been above average in recent months, and this high ratio has encouraged farmers to feed hogs to heavier weights. The average weight of hogs in the seven leading markets in December was 233 pounds compared with 213 pounds in December 1936. In a preceding section of this report it was indicated that the spread between prices of 200 to 220 pound hogs and prices of hogs weighing over 250 pounds was unusually wide. The ratio of prices of heavy hogs to prices of corn is now considerably lower than the ratio between prices of light hogs and prices of corn. It is possible that because of the unusually large price discounts for heavy hogs farmers may not fatten hogs to ^{as} heavy weights as they have in other years when the hog-corn price ratio was relatively high.

Small increase indicated in sows to farrow next spring

On the basis of breeding intentions reported about December 1, it was indicated in the December Pig Crop Report that the number of sows to farrow in the spring of 1938 will be about 5 percent larger than the number that farrowed in the spring of 1937. For the Corn Belt the indicated increase was about 7 percent. These indicated increases are considerably smaller than had been expected, in view of the present low level of hog production, the large feed supplies, and the relatively high hog-corn price ratio in recent months.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct. - Sept.					Oct.-Nov.		
		Av.							
		1928-							
		Nov.	Oct.	Nov.	29 to 1935-	1936-	1936-	1936-	1937-
		1936	1937	1937	1932-	36	37	37	38
					33				
Hog slaughter under Federal inspection-									
Number	Thou-								
slaughtered <u>1/</u>	sands	4,292	2,711	3,295	46,363	31,022	34,142	7,783	6,006
Live weight -									
Average	Pound	211	225	225	231	232	221	212	225
Total	Mil.lb.	906	611	741	10,723	7,191	7,538	1,649	1,352
Dressed weight-									
Average	Pound	156	167	167	175	175	164	157	167
Total	Mil.lb.	669	452	549	8,069	5,402	5,586	1,216	1,001
Yield of lard per									
100 pounds of live									
weight of hogs ...	Pound	11.4	9.7	11.6	15.2	12.1	10.9	11.1	10.6
Production of									
lard	Mil.lb.	103	59	85	1,630	870	833	184	144
Apparent cons. -									
Pork, including									
lard <u>2/</u>	do.	534	484	494	7,171	5,124	5,602	1,083	977
Lard	do.	79	73	73	961	712	757	156	146
Exports <u>3/-</u>									
Pork	do.	7	5	8	211	69	59	11	12
Lard	do.	10	19	18	657	101	107	20	37
Imports of perk <u>3/</u> -	do.	4	6	5	6	32	72	7	11
Proportion of sows in									
inspected slaughter <u>4/</u> Percent:		49.8	52.8	49.1	51.2	52.0	51.1	51.0	50.7

1/ Bureau of Animal Industry.

2/ Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

3/ United States Department of Commerce. Pork includes bacon, hams, and shoulders, and fresh, canned and pickled pork. Lard includes neutral lard.

4/ Includes gilts.

Prices of hogs and hog products, specified periods

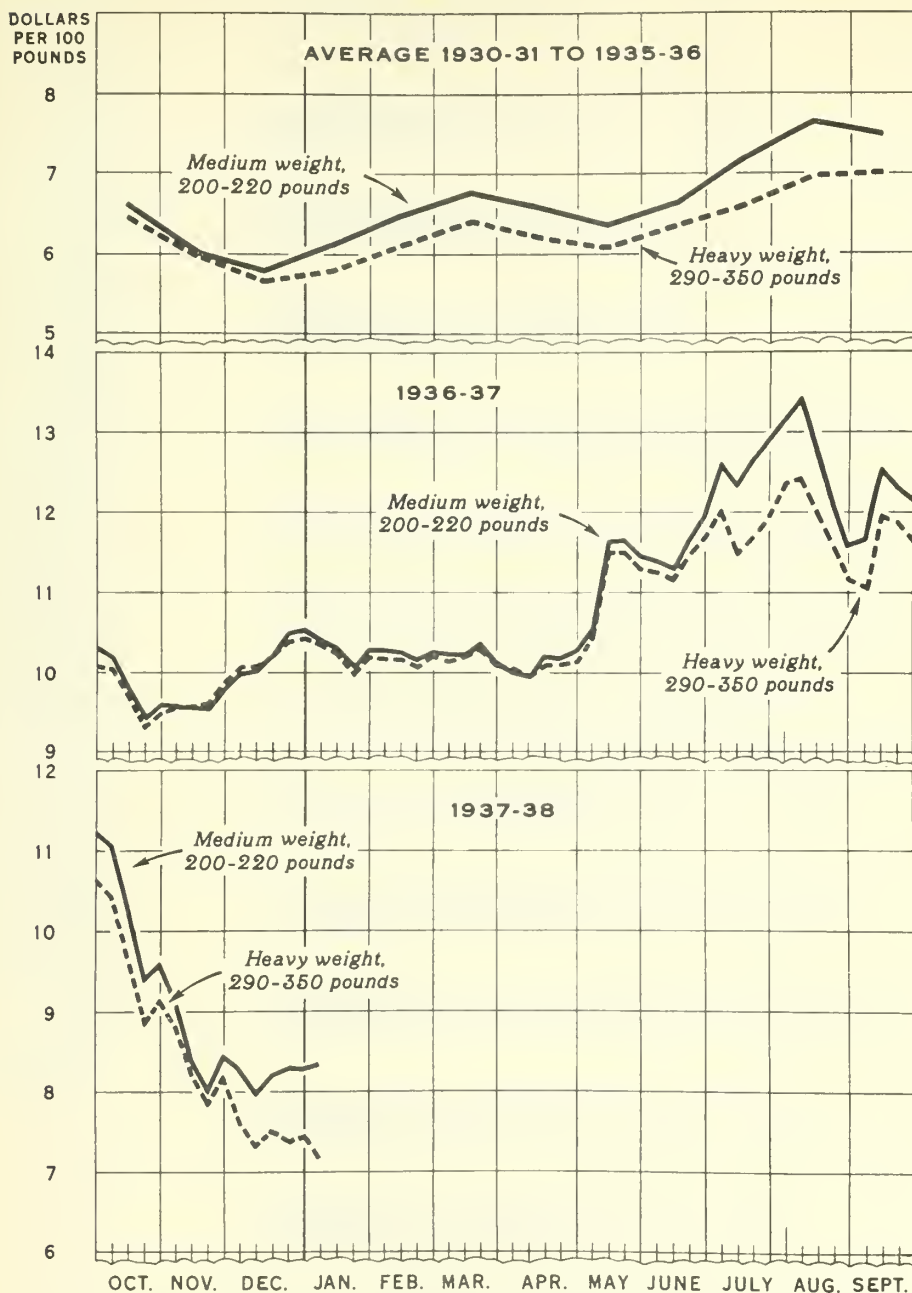
						Oct.- Sept.		Oct.-Dec.	
						Average:			
Item	Unit	Dec. 1936	Nov. 1937	Dec. 1937	1928-29 to 1932-33	1935-36	1936-37	1936-37	1937-38
:Dollars:									
Average price:	per 100:								
Seven markets	pounds :	9.73	8.41	7.74	<u>1/</u>	9.64	10.28	9.40	8.65
Chicago	do. :	9.96	8.64	7.90	6.99	9.90	10.49	9.66	8.86
U. S. average price :	:								
received by farmers:	do. :	9.09	8.25	7.54	6.48	9.15	9.66	9.00	8.52
Prices of hog	:								
products, Chicago:	:								
Loins, 8-10 lb. :	do. :	17.49	18.61	16.08	17.07	21.21	22.29	18.13	18.82
Hams, smoked reg.	:								
No.1, 10-12 lb.:	do. :	23.20	23.62	22.40	20.31	26.58	24.65	23.40	23.92
Bacon,smoked	:								
No.1 dry cured, :	:								
6-8 lb.:	do. :	27.40	29.38	27.25	23.71	30.86	28.58	27.19	29.71
Lard,refined, :	:								
H.W. tubs	do. :	13.65	11.38	9.78	9.68	12.65	13.13	12.91	11.05
Average price of No.3:	Cents :								
Yellow corn,Chicago:	per lb:	107	53	56	62	74	115	106	58
Hog-corn price ratio:	:								
<u>2/-</u>	:								
Chicago	Bushel :	9.3	16.2	14.1	11.6	14.1	9.2	9.1	15.2
North Central	:								
States	do. :	9.5	19.0	16.8	12.9	15.8	9.5	9.4	18.4
Proportion of packing	:								
sows in total packer	:								
and shipper	:								
purchases,seven	:								
markets <u>3/</u>:	Percent:	4.8	8.0	5.0	<u>1/</u>	16.0	15.0	8.0	10.0
Average weight at	:								
seven markets	Pound :	214	231	233	<u>1/</u>	241	231	211	233
	:								
	:								

1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.

PRICES OF MEDIUM AND HEAVY HOGS AT CHICAGO, AVERAGE 1930-35, AND 1936 TO DATE



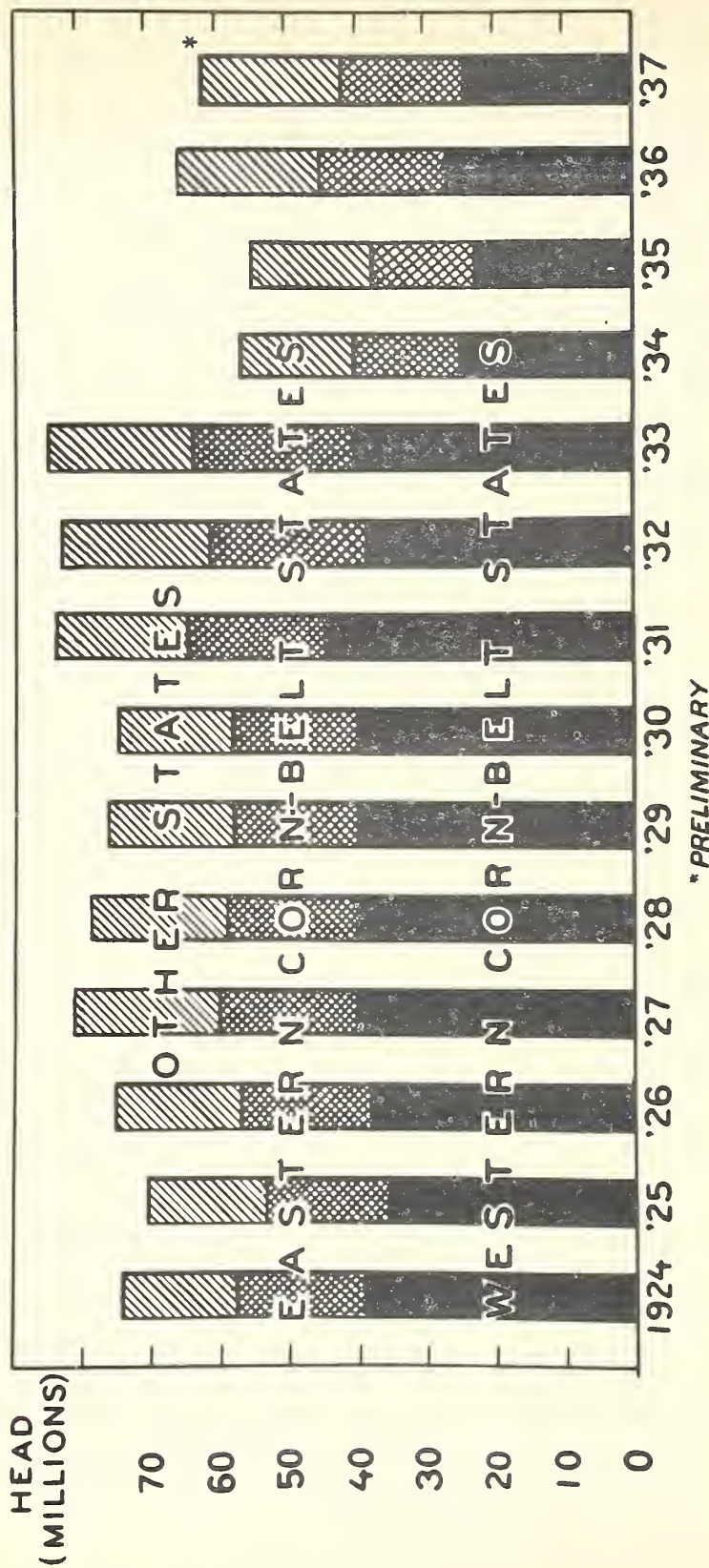
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FIGURE 1- THE DECLINE IN PRICES OF HEAVY HOGS IN RECENT MONTHS HAS BEEN SOMEWHAT GREATER THAN THE DROP IN PRICES OF LIGHT AND MEDIUM WEIGHT HOGS. THIS REFLECTS THE INCREASING PROPORTION OF HEAVY WEIGHT HOGS IN THE TOTAL SUPPLY AND THE RELATIVELY GREATER DECLINE IN PRICES OF LARD THAN IN PRICES OF PORK. ORDINARILY, IN LATE FALL AND EARLY WINTER, PRICES OF HEAVY AND MEDIUM WEIGHT HOGS ARE ABOUT THE SAME; BUT IN DECEMBER AND EARLY JANUARY 1937-38, PRICES OF HEAVY HOGS WERE ABOUT \$1 LOWER THAN PRICES OF LIGHT HOGS.

Annual Pig Crop



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FIGURE 2.-- THE TOTAL PIG CROP IN THE UNITED STATES IN 1937 WAS MORE THAN 3 MILLION HEAD SMALLER THAN THAT OF 1936. THERE WAS A DECREASE OF 7 PERCENT IN THE 1937 SPRING PIG CROP AND A REDUCTION OF 1 PERCENT IN THE FALL CROP. PRACTICALLY ALL OF THE DECREASE IN THE TOTAL PIG CROP OF 1937 WAS IN THE WESTERN CORN BELT.